

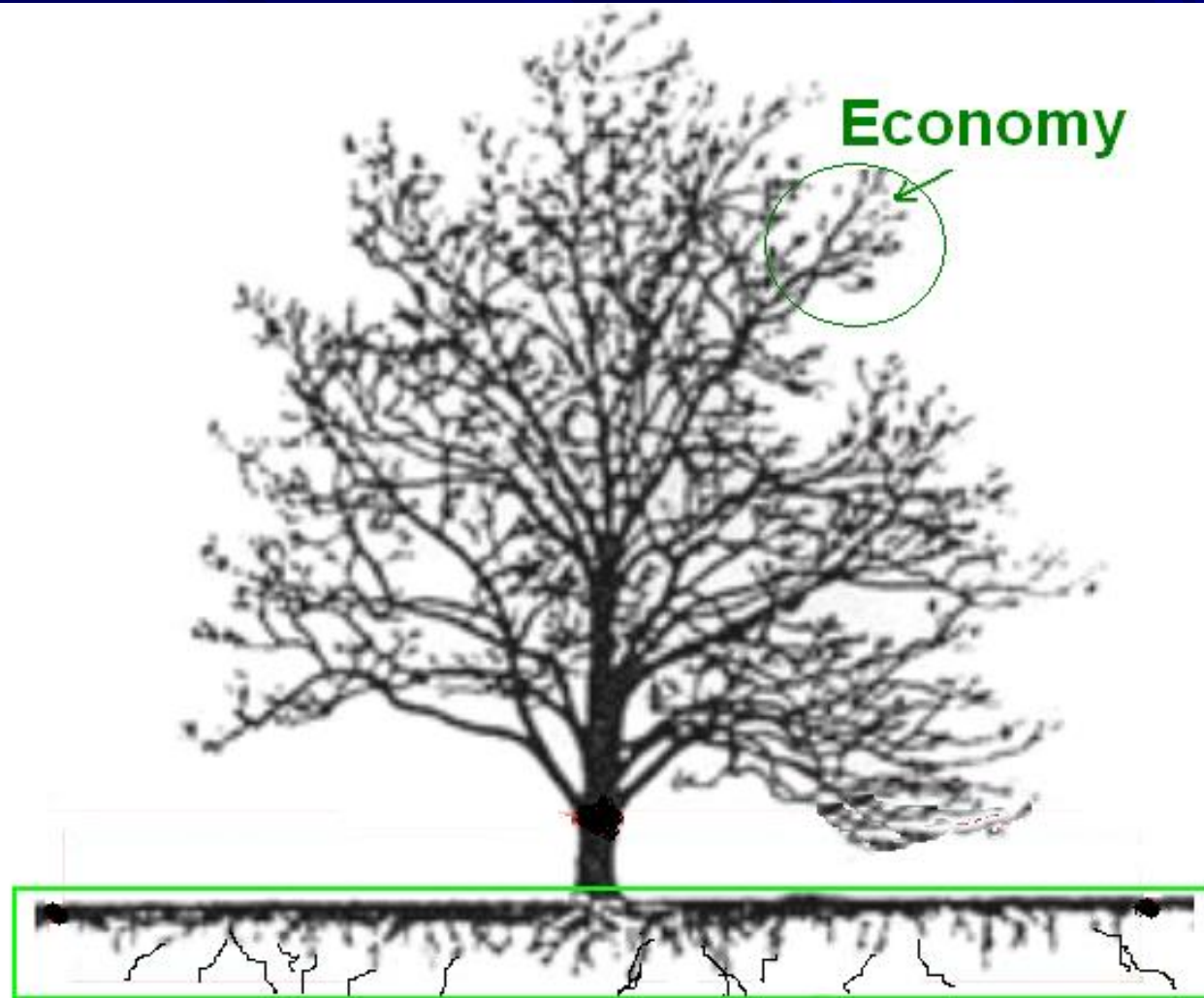
Religion:

How does it Affect the Economy and is Affected by it?



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Winnipeg
January 26, 2010.





Roots

Islam's teachings about the Overall System

God —the Creator— is the ultimate Sovereign and Owner of Everything

تَبَارَكَ الَّذِي لَهٗ مُلْكُ السَّمٰوٰتِ وَٱلْاَرْضِ وَمَا
بَيْنَهُمَا ۚ وَعِنْدَهٗ عِلْمُ السَّاعَةِ ۚ وَاِلَيْهِ تُرْجَعُوْنَ

- And blessed is He to Whom belongs the Kingdom of the heavens and the earth and all that is between them, and with Him is the knowledge of the Hour, and to Him you shall all be brought back. (43:86)

Implications of the Holy Qur'an (43:86)

■ Human beings are:

- **Trustees** in the delegated-ownership, control, and use of resources.
- **Accountable** for their actions in the use/ misuse of these resources (in Earthly Life + the Hereafter).

From People to Rulers From Rulers to People

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا
وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ
إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا

- Verily Allah commands **you to give over the trusts to those who are entitled to them**
- And that, **when you judge between people you must judge with justice.**
- And surely **excellent is that with which Allah admonishes you. Allah is All-Hearing, All-Seeing. (4:59)**

Implications of the Holy Qur'an (4:59) for the System of Governance and Economy

1. The ***principle of Elected Government***.
2. ***Governance is a Trust*** — not a “natural right” of anyone.
3. ***Governing authority*** is to be ***based on pure merit and suitability*** for the task.
4. Government is responsible to create ***equality of opportunity*** — economic, as well as of other kinds — between all sections of society.

Implications of the Holy Qur'an (4:59) for the System of Governance and Economy

5. Government must extend **equal protection** to the Life, Liberty, Property, and Honor, of all citizens.
6. Following these guidelines will be beneficial to (a) the **people**, as well as (b) the **rulers**.
7. God “hears” and “sees” any departures from justice and fairness. Thus, it is a reminder about **accountability** before God, for (a) **People**, and (b) **Rulers**.

Islam on the Entitlement to the Wealth of Natural Resources

هُوَ الَّذِي خَلَقَ لَكُمْ مَّا فِي الْأَرْضِ جَمِيعًا

- He it is Who created for you all that is in the earth ... (2:30)
 - All natural resources have been created by God **for the joint benefit of all humanity**. It is not a specific entitlement of a select few.
 - **No** 'economic power' is entitled to make such **economic policies as are designed to deprive others** from earning legitimate benefits of natural resources.

State Expenditure for providing “a level playing field” to all in the society, even the transients

أَتُوهُمْ مِّن مَّا لَِلَّهِ الَّذِي أَتٰكُمْ

- ... and give them out of the wealth of Allah which He has bestowed on you ...
(24:34)

– *Mukatabah* (Deed of Manumission): A written agreement according to the terms of which a slave is given the means to earn his/her freedom (regardless of the wishes of his/ her master).

Religion has always had 'guidelines' for Economic Practices and Spending Behavior

أَصْلَوْتُكَ تَأْمُرُكَ أَنْ تَتْرُكَ مَا يَعْبُدُ آبَاؤُنَا أَوْ أَنْ تَفْعَلَ
فِي أَمْوَالِنَا مَا نَشَاءُ إِنَّكَ لَأَنْتَ الْحَلِيمُ الرَّشِيدُ

- [Prophet Shu'aib said the people of Midian] (11:86) And O' my people, give full measure and full weight with equity, and defraud not people of their things, and commit not iniquity in the earth, creating disorder. That which is left with you by Allah is better for you, if you are believers. And I am not a keeper over you.
- (11:88) They replied: O Shu'aib, **does thy Prayer bid thee** that we should leave what our fathers worshipped, or **that we cease to do what we please with our property?** Thou art indeed very intelligent and right-minded!

Islam on Spending for Improving the Economic Conditions of the Poor, and on Prohibition of Ostentatious Spending

لَقَدْ خَلَقْنَا الْإِنْسَانَ فِي كَبَدٍ ۝ أَيَحْسَبُ أَنْ لَنْ يَقْدِرَ عَلَيْهِ أَحَدٌ ۝
يَقُولُ أَهْلَكْتُ مَا لَا لُبَدًا ۝ أَيَحْسَبُ أَنْ لَمْ يَرَهُ أَحَدٌ ۝
أَلَمْ نَجْعَلْ لَهُ عَيْنَيْنِ ۝ وَلِسَانًا وَشَفَتَيْنِ ۝ وَهَدَيْنَاهُ النَّجْدَيْنِ ۝
فَلَا اقْتَحَمَ الْعَقَبَةَ ۝ وَمَا أَدْرَاكَ مَا الْعَقَبَةُ ۝ فَكُّ رَقَبَةٍ ۝
أَوْ إِطْعَمٌ فِي يَوْمٍ ذِي مَسْغَبَةٍ ۝ يَتِيمًا ذَا مَقْرَبَةٍ ۝ أَوْ مِسْكِينًا ذَا مَتْرَبَةٍ ۝
ثُمَّ كَانَ مِنَ الَّذِينَ آمَنُوا وَتَوَاصَوْا بِالصَّبْرِ وَتَوَاصَوْا بِالْمَرْحَمَةِ ۝
أُولَئِكَ أَصْحَابُ الْمَيْمَنَةِ ۝

(90:5-19)

Islam on Spending for Improving the Economic Conditions of the Poor, and on Prohibition of Ostentatious Spending

- We have surely created man to toil and struggle.
- Does he think that no one has power over him? He says, 'I have squandered enormous wealth.' Does he think that no one sees him? Have We not given him two eyes? And a tongue and two lips? And We have pointed out to him two highways *of good and evil*.
- But he attempted not the steep ascent. And what should make thee know what the steep ascent is? It is the freeing of a slave. Or, feeding, on a day of hunger, an orphan near of kin. Or, a poor man *lying* in the dust.
- Then he should have been of those who believe and exhort one another to perseverance, and exhort one another to mercy. These are the people of the right hand. (90:5-19)

Wealth and Economic Power — a Conditional View by Religion

And I say unto you, It is easier for a camel to go through the eye of a needle than for a rich man to enter the Kingdom of God. Matthew (19:24)

إِنَّ الَّذِينَ كَذَّبُوا بِآيَاتِنَا وَاسْتَكْبَرُوا عَنْهَا لَا
تُفْتَحُ لَهُمْ أَبْوَابُ السَّمَاءِ وَلَا يَدْخُلُونَ
الْجَنَّةَ حَتَّى يُلَاحَظَ الْجَمَلُ فِي سَمِّ الْخِيَاطِ

Those who reject Our signs and turn away from them with disdain, the gates of spiritual firmament shall not be opened for them, nor shall they enter Heaven until a camel goes through the eye of a needle ... Holy Qur'an (7:41)

Individual Economic Freedom — A Consequence of Belief in the Hereafter

- Islam lays great emphasis on having belief in the Life after Death (or, life in the Hereafter)
 - Ensuring that the believers will have **sufficient economic flexibility** in this life
 - Voluntary Acts of piety and goodness in **Life on Earth** (“sowing the seeds”) to seek God’s approval and serve humanity
 - improving their condition in the everlasting **Life after Death** (“reaping the rewards”).

Economic Outcomes → Faith Outcomes

Greater individual
economic freedom

Greater voluntary
acts of goodness

Greater degree of
improvement in one's
own Life after Death

It may well be that **poverty** reaches a
state of **disbelief**. (*Hadith*)

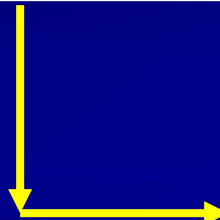
كَادَ الْفَقْرُ أَنْ يَكُونَ كُفْرًا

(Perception of) **Faith** Outcomes →
(Motivation for Achieving) **Economic** outcomes

Greater perception of
improvement in one's
own Life after Death



Greater desirability of
doing voluntary acts of
goodness



Greater motivation for
achieving individual
economic freedom

Two Components of the Economy

- **Altruism** (at the individual's level) should be the basis of an
 - a) **equitable distribution of wealth** among people, and
 - (b) **providing equal access to reasonable income-earning opportunities** to everyone in the society.
- **A legal framework** (consisting of some institutional arrangements, noted below).
 - This is to ensure that any **shortfall** in the Altruistic component, to reach the desired socio-economic outcome, is adequately addressed.

Essence of the Islamic Economic System

- A well-balanced combination of the
 - (a) **individuals' freedom of action**, and
 - (b) **government's activism**, for restoring the socio-economic equilibrium, as and when needed.
- **Individual Freedom** → Promotion of a spirit of competition; achieving economic success and fulfillment; voluntary acts of goodness; and improving one's "investment in the Hereafter experience."
- **Government Intervention** → Corrective mechanism to restore equilibrium and stability in the society and to protect the relatively poor sections of the society from any unintended negative consequences of some of the actions of the relatively richer sections.

Islam's Description of What Motivates Worldly People to Amass Wealth

اعْلَمُوا أَنَّمَا الْحَيَاةُ الدُّنْيَا لَعِبٌ وَلَهُمْ زِينَةٌ وَتَفَاخُرٌ بَيْنَكُمْ
وَتَكَاثُرٌ فِي الْأَمْوَالِ وَالْأَوْلَادِ ۖ كَمَثَلِ غَيْثٍ أَعْجَبَ الْكُفَّارَ
نَبَاتُهُ ثُمَّ يَهَيِّجُ فَتَرِبُهُ مُصْفَرًّا ثُمَّ يَكُونُ حُطَامًا ۖ
وَفِي الْآخِرَةِ عَذَابٌ شَدِيدٌ ۚ وَمَغْفِرَةٌ مِّنَ اللَّهِ وَرِضْوَانٌ ۚ
وَمَا الْحَيَاةُ الدُّنْيَا إِلَّا مَتَاعُ الْغُرُورِ ۝

- Know that the life of this world is only a sport and a pastime, and an adornment, and a source of boasting among yourselves, and of rivalry in multiplying riches and children.
- *It is like the rain, the vegetation produced whereby rejoices the tillers. Then it dries up and you see it turn yellow; then it becomes worthless stubble. And in the Hereafter there is severe punishment for the wicked and also forgiveness from Allah, and His Pleasure for the righteous.*
- And the life of this world is nothing but a *temporary* enjoyment of delusive things. (57:21)

Avoidance of 'Vain Pursuits'

2. <u>Successful</u> indeed are the believers,	قَدْ أَفْلَحَ الْمُؤْمِنُونَ ﴿٢﴾
3. Who are <u>humble</u> in their <u>Prayers</u> ,	الَّذِينَ هُمْ فِي صَلَاتِهِمْ خَاشِعُونَ ﴿٣﴾
4. And ^b who <u>shun all that which is vain</u> ,	وَالَّذِينَ هُمْ عَنِ اللَّغْوِ مُعْرِضُونَ ﴿٤﴾
5. And ^c who are <u>prompt and regular</u> in <u>paying the Zakāt</u> ,	وَالَّذِينَ هُمْ لِلزَّكَاةِ فَاعِلُونَ ﴿٥﴾

- Degree of one's adherence to Faith is reflected in one's degree of avoidance of vain pursuits (23:2-4):
 - **Habits, pastimes**, etc. that are dissipating and contribute nothing positive towards one's self-improvement, or contribute any net benefit to society.

Islam on the Use/ Misuse of Market Forces and Instruments

- **Prohibition of Interest** (on borrowing, or lending, money)
 - The concept of *Riba* (Interest) is associated with any activity involving transfer of money for the purpose of getting 'guaranteed profit'.
 - Market collusion (creation of monopoly power) to reap guaranteed high profit through denial of free market competition.
- **Prohibition of Hoarding** (to raise price and profiteer by it); or causing a **Market Glut** (to excessively decrease price and “squeeze out” competition)

Further safeguards against the accumulation of excessive wealth

- Payment of *Zakaat* – Capital Tax (2.5%) on wealth and assets left unused for one year)
- *Khum-us* (payment of $1/5^{\text{th}}$ per year to government, on the natural resource discovered on your property (e.g. a mine; oil-field; etc.)
- Voluntary Charitable Contributions

Further safeguards against the accumulation of excessive wealth

- Division of Property according to Islam's equitable Laws of Inheritance (2:181-183; 4:8-14; 33:7; and 4:177)
- Government:
 - Guideline for government to not adopt policies to “funnel back the money to the rich” and it may keep on circulating among the rich. (59:8)
 - Guideline for government to establish a ‘Welfare State’: responsible for everyone's Food, Clothing, Shelter, and Protection under the Law (for life, liberty, property, and honor). (20:119-120)

إِنَّكَ لَا تَجُوعُ فِيهَا وَلَا تَعْرَىٰ ۚ وَأَنَّكَ لَا تَظْمَأُ فِيهَا وَلَا تَصْحَىٰ ﴿١٢٠﴾

Essential Features of Islam's Economic System

- Discouragement against amassing wealth *for its own sake* — to be used a 'power-lever' for further exploitation by the rich.
- Curtailing the motives for amassing wealth.
- Speedily distributing the 'amassed wealth'.
- Government's spending on providing the basic necessities of life for the poor and the needy, and to *help them become self-reliant soon* and, in turn, help others.

Islamic finance in France

Sharia calling / A political row about Muslim law

When it comes to Islamic finance, to the dismay of some politicians on both right and left, the government is trying to introduce elements of *sharia*—under which “usury” is forbidden.

In a global recession, Islamic finance looks an attractive business. Worldwide *sharia*-compliant assets grew by 29% over the past year to \$822 billion, according to *The Banker*. French officials fret that Paris is missing out on its share, particularly to London, whose multicultural approach gives an open-arms welcome to Islamic investors. To catch up, the French have pushed through changes to their tax and legal codes. But their latest effort has prompted a political backlash.

For Christine Lagarde, the finance minister, who has pushed to open France up to Islamic finance, it is a matter of keeping Paris a competitive financial centre. The government is backed by French financiers who see a handy new source of income. Some say Paris could take 10% of the global market by 2020. “Suddenly, having 6m Muslims is a great advantage,” notes one dryly.

Vatican Says Islamic Finance May Help Western Banks in Crisis

By Lorenzo Totaro

March 4 (Bloomberg) -- The Vatican said banks should look at the rules of Islamic finance to restore confidence amongst their clients at a time of global economic crisis.

"The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service," the Vatican's official newspaper Osservatore Romano said in an **article** in its latest issue late yesterday.

Author Loretta Napoleoni and Abaxbank Spa fixed income strategist, Claudia Segre, say in the article that "Western banks could use tools such as the Islamic bonds, known as sukuk, as collateral". Sukuk may be used to fund the "car industry or the next Olympic Games in London," they say.

Thank you!

Questions?

■ *Additional information*

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